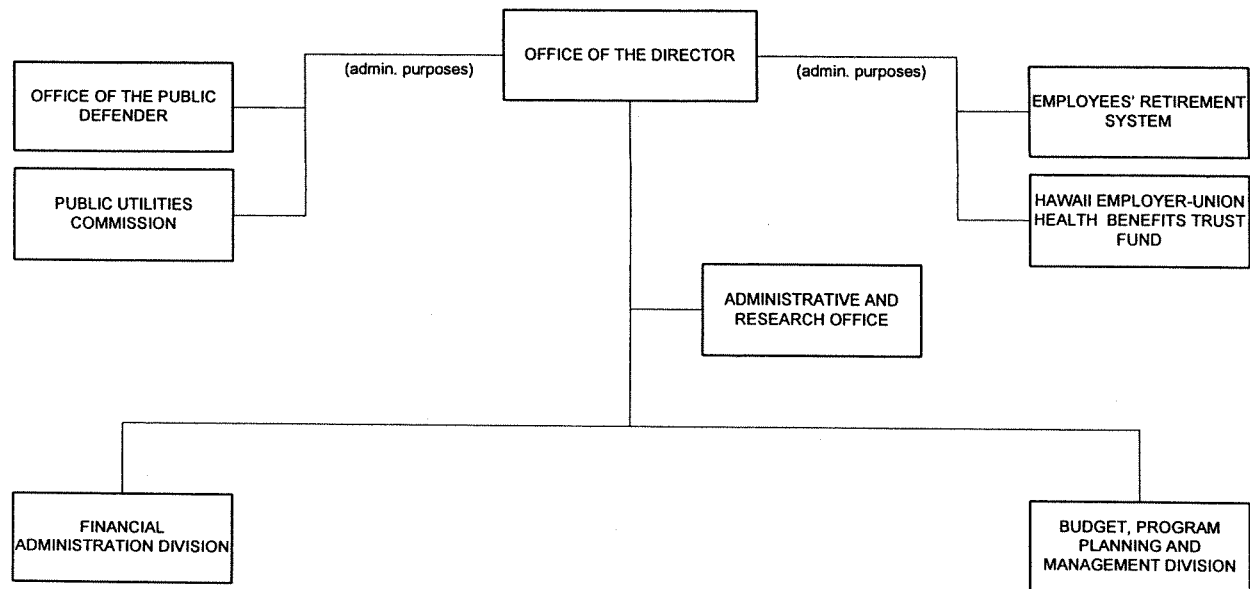


Department of Budget and Finance

STATE OF HAWAII
DEPARTMENT OF BUDGET AND
FINANCE
ORGANIZATION CHART



DEPARTMENT OF BUDGET AND FINANCE

Department Summary

Mission Statement

Enhance long-term productivity and efficiency in government operations by providing quality budget and financial services that prudently allocate and effectively manage available resources.

Department Goals

Improve the executive resource allocation process through planning, analysis and recommendation on all phases of program scope and funding; maximize the value, investment, and use of State funds through planning, policy development, timely scheduling of State bond financing and establishment of appropriate cash management controls and procedures; administer retirement and survivor benefits for State and County members and prudently manage the return on investments; administer health and life insurance benefits for eligible active and retired State and County public employees and their dependents by providing quality services and complying with federal and State legal requirements; ensure regulated companies provide adequate and reliable services at just and reasonable rates with a fair opportunity to earn a reasonable rate of return; and to safeguard the rights of indigent individuals in need of assistance in criminal and related cases by providing statutorily entitled and effective legal representation.

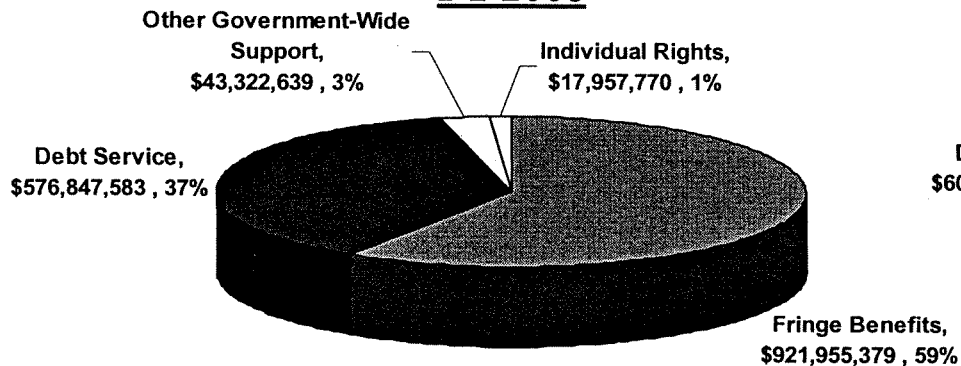
Significant Measures of Effectiveness

1. Percentage of recommendations on departments' requests completed by due date
2. Average annual rate of return on State treasury investments
3. Rate of interest paid on State bonds relative to the Bond Buyer Index for bonds of comparable term and credit

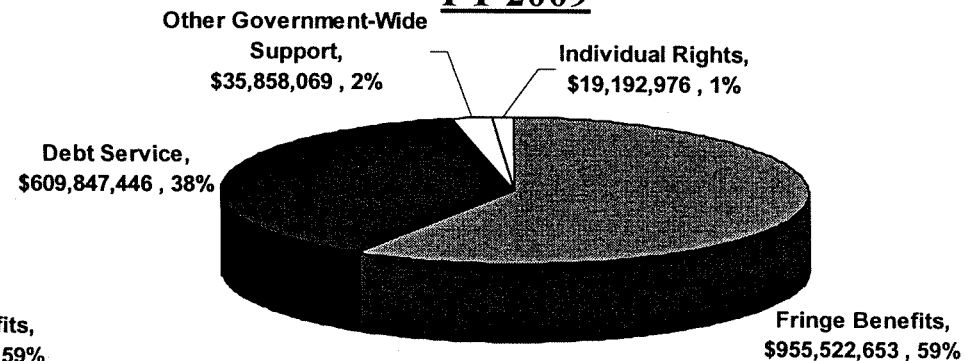
<u>FY 2008</u>	<u>FY 2009</u>
90	90
2.41	2.50
90	90

FB 2007-09 Operating Budget by Major Program/Activity

FY 2008



FY 2009



DEPARTMENT OF BUDGET AND FINANCE MAJOR FUNCTIONS

- Administers the multi-year program and financial plan and executive budget, management improvement, and financial management programs of the state under the general direction of the Governor
- Coordinates state budget services and prepares the Governor's budget for submission to the legislature; administers the financial affairs of the State
- Plans, directs and coordinates the State's investments and financing programs
- Directs and coordinates a statewide retirement benefits program for state and county government employees
- Administers health and life insurance benefits for eligible state and county active and retired public employees and dependents
- Provides comprehensive legal and related services to persons who are financially unable to obtain legal and related services
- Regulates all chartered, franchised, or certificated public service companies operating in the State

MAJOR PROGRAM AREAS

The Department of Budget and Finance has programs in the following major program areas:

Individual Rights

BUF 151 Office of the Public Defender
BUF 901 Public Utilities Commission

Government-Wide Support

BUF 101 Departmental Administration and Budget
 Division
BUF 115 Financial Administration
BUF 141 Employees Retirement System
BUF 143 Employer Union Trust Fund

Department of Budget and Finance
(Operating Budget)

		Allocation		
		FY 2007	FY 2008	FY 2009
Funding Sources:	Positions	144.00	144.00	144.00
General Funds	\$	686,104,857	670,795,829	697,008,755
		41.00	44.00	51.00
Special Funds		8,343,024	8,695,562	9,929,994
Federal Funds		30,957	-	-
		30.00	35.00	35.00
Trust Funds		9,296,961	17,712,758	10,322,767
Interdepartmental Transfers		828,887,824	851,853,976	892,209,412
		75.00	83.00	83.00
Other Funds		8,947,132	11,025,246	10,950,216
		290.00	306.00	313.00
Total Requirements		1,541,610,755	1,560,083,371	1,620,421,144

Highlights of the Executive Budget Request: (general funds unless noted)

1. Reduces the general fund by \$9,327,870 in FY 08 and \$426,181 in FY 09; reduces the inter-departmental transfer fund by \$3,848,180 in FY 08 and provides \$10,334,135 in FY 09 for employer contribution requirements for health benefits.
2. Provides \$10,961,407 in FY 08 and \$26,088,544 in FY 09 in general funds and \$7,837,907 in FY 08 and \$25,710,633 in FY 09 in inter-departmental transfer funds for debt service.
3. Reduces the general fund by \$15,438,113 in FY 08 and \$18,988,573 in FY 09; provides \$15,438,113 in FY 08 and \$20,539,961 in FY 09 in inter-departmental transfer funds for employer contribution requirements for pension accumulation.
4. Reduces the general fund by \$13,059,198 in FY 08 and \$12,340,425 in FY 09; provides \$3,538,312 in FY 08 and \$6,736,859 in FY 09 in inter-departmental transfer funds for employer contribution requirements for social security/medicare.
5. Reduces in FY 08 and FY 09, the transfer amount authorized by Act 178-05 for FY 06 and FY 07 for CBU 10; the general fund by \$1,550,374 and federal funds by \$30,957.

6. Increases the FY 08 and 09 trust fund ceiling for unclaimed property judgement and claims by \$1,227,422.
7. Provides 4.00 temporary position counts and \$7,513,484 in FY 08 and \$437,166 in FY 09 in Trust Funds to replace the existing PeopleSoft Health Fund Information Management System with a new benefits administration system for the Employer-Union Trust Fund; and provides \$1,320,250 in FY 08 and \$1,745,220 in FY 09 in Other Funds for the Employees' Retirement System for computer maintenance, replacement and
8. Provides 3.0 permanent position counts and \$213,595 in FY 08 and 10.00 permanent position counts and \$720,585 in FY 09 in the special fund. Also provides for the conversion of temporary to permanent count for 5.00 trust fund and 8.00 other fund positions in FY 08 and FY 09.

OPERATING AND CAPITAL EXPENDITURES

REPORT P61-A

PROGRAM ID:

PROGRAM STRUCTURE NO.

PROGRAM TITLE: DEPARTMENT OF BUDGET AND FINANCE

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13
OPERATING COST	289.00*	290.00*	306.00*	313.00*	313.0*	313.0*	313.0*	313.0*
PERSONAL SERVICES	20,517,005	24,322,695	24,878,189	25,145,614	25,146	25,146	25,146	25,146
OTHER CURRENT EXPENSES	1,357,958,874	1,473,627,247	1,532,034,502	1,594,675,610	1,615,444	1,664,329	1,682,767	1,748,444
EQUIPMENT	252,781	136,598	3,170,680	599,920				
TOTAL OPERATING COST	1,378,728,660	1,498,086,540	1,560,083,371	1,620,421,144	1,640,590	1,689,475	1,707,913	1,773,590
BY MEANS OF FINANCING								
GENERAL FUND	580,592,679	642,612,498	670,795,829	697,008,755	705,607	726,731	733,803	762,424
SPECIAL FUND	7,780,702	8,343,024	8,695,562	9,929,994	9,317	9,317	9,317	9,317
TRUST FUNDS	8,952,118	9,296,961	17,712,758	10,322,767	10,323	10,323	10,323	10,323
INTERDEPT. TRANSFER	774,877,364	828,887,824	851,853,976	892,209,412	904,980	932,741	944,107	981,163
OTHER FUNDS	6,525,797	8,946,233	11,025,246	10,950,216	10,363	10,363	10,363	10,363
CAPITAL IMPROVEMENT COSTS								
CONSTRUCTION	248,736,000	75,000,000	150,173,000	77,407,000	75,000	75,000	75,000	75,000
TOTAL CAPITAL EXPENDITURES	248,736,000	75,000,000	150,173,000	77,407,000	75,000	75,000	75,000	75,000
BY MEANS OF FINANCING								
G.O. BONDS	248,736,000	75,000,000	150,173,000	77,407,000	75,000	75,000	75,000	75,000
TOTAL POSITIONS	289.00*	290.00*	306.00*	313.00*	313.00*	313.00*	313.00*	313.00*
TOTAL PROGRAM COST	1,627,464,660	1,573,086,540	1,710,256,371	1,697,828,144	1,715,590	1,764,475	1,782,913	1,848,590

Department of Budget and Finance
(Capital Improvements Budget)

	<u>FY 2008</u>	<u>FY 2009</u>
Funding Sources:		
General Obligation Bonds	150,173,000	77,407,000
Total Requirements	<u>150,173,000</u>	<u>77,407,000</u>

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. Provides \$60,000,000 in general obligation bond funds in FY 08 and \$30,000,000 in FY 09 for the Hawaiian Home Lands Trust Fund.
2. Provides \$90,173,000 in general obligation bond funds in FY 08 and \$47,407,000 in FY 09 for the State Educational Facilities Improvement Special Fund.

STATE OF HAWAII

PROGRAM ID

PROGRAM STRUCTURE NO.

PROGRAM TITLE

REQUIRED CAPITAL APPROPRIATIONS - BY CAPITAL PROJECT IN THOUSANDS OF DOLLARS

REPORT 878

PAGE 265

DEPARTMENT OF BUDGET AND FINANCE

PROJECT NUMBER	PRIORITY NUMBER	LOC	SCOPE	PROJECT TITLE		BUDGET PERIOD								SUCCEED YEARS
				COST ELEMENT/MOF	PROJECT TOTAL	PRIOR YRS	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09 10	FY 10-11	FY 11-12	
			PLANS	500	400	100								
			DESIGN	1,171	601	570								
			CONSTRUCTION	2,434,747	1,248,366	242,644	356,157	150,173	77,407	75,000	75,000	75,000	75,000	60,000
			EQUIPMENT	1,951	1,951									
			TOTAL	2,438,369	1,251,318	243,314	356,157	150,173	77,407	75,000	75,000	75,000	75,000	60,000
			G.O. BONDS	2,438,369	1,251,318	243,314	356,157	150,173	77,407	75,000	75,000	75,000	75,000	60,000



Operating Budget Details

OPERATING AND CAPITAL EXPENDITURES

REPORT P61-A

PROGRAM ID:

PROGRAM STRUCTURE NO. 10

PROGRAM TITLE: INDIVIDUAL RIGHTS

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13
OPERATING COST	121.00*	122.00*	125.00*	132.00*	132.0*	132.0*	132.0*	132.0*
PERSONAL SERVICES	10,463,881	11,892,453	12,252,492	12,722,473	12,723	12,723	12,723	12,723
OTHER CURRENT EXPENSES	5,724,303	5,591,585	5,705,278	6,459,303	5,857	5,857	5,857	5,857
EQUIPMENT	122,372	3,098		11,200				
TOTAL OPERATING COST	16,310,556	17,487,136	17,957,770	19,192,976	18,580	18,580	18,580	18,580
BY MEANS OF FINANCING	80.00*	81.00*	81.00*	81.00*	81.0*	81.0*	81.0*	81.0*
GENERAL FUND	8,529,854	9,144,112	9,262,208	9,262,982	9,263	9,263	9,263	9,263
	41.00*	41.00*	44.00*	51.00*	51.0*	51.0*	51.0*	51.0*
SPECIAL FUND	7,780,702	8,343,024	8,695,562	9,929,994	9,317	9,317	9,317	9,317
TOTAL POSITIONS	121.00*	122.00*	125.00*	132.00*	132.00*	132.00*	132.00*	132.00*
TOTAL PROGRAM COST	16,310,556	17,487,136	17,957,770	19,192,976	18,580	18,580	18,580	18,580

PROGRAM ID: **BUF901**
PROGRAM STRUCTURE NO. **10010305**
PROGRAM TITLE: **PUBLIC UTILITIES COMMISSION**

OPERATING AND CAPITAL EXPENDITURES

REPORT P61-A

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13
OPERATING COST	41.00*	41.00*	44.00*	51.00*	51.0*	51.0*	51.0*	51.0*
PERSONAL SERVICES	2,578,207	3,440,525	3,679,370	4,148,577	4,149	4,149	4,149	4,149
OTHER CURRENT EXPENSES	5,190,499	4,902,499	5,016,192	5,770,217	5,168	5,168	5,168	5,168
EQUIPMENT	11,996			11,200				
TOTAL OPERATING COST	7,780,702	8,343,024	8,695,562	9,929,994	9,317	9,317	9,317	9,317
BY MEANS OF FINANCING	41.00*	41.00*	44.00*	51.00*	51.0*	51.0*	51.0*	51.0*
SPECIAL FUND	7,780,702	8,343,024	8,695,562	9,929,994	9,317	9,317	9,317	9,317
TOTAL POSITIONS	41.00*	41.00*	44.00*	51.00*	51.00*	51.00*	51.00*	51.00*
TOTAL PROGRAM COST	7,780,702	8,343,024	8,695,562	9,929,994	9,317	9,317	9,317	9,317

STATE OF HAWAII

PERFORMANCE MEASURES AND PROGRAM REVENUES

REPORT P62

PROGRAM ID: BUF901
 PROGRAM STRUCTURE: 10010305
 PROGRAM TITLE: PUBLIC UTILITIES COMMISSION

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
MEASURES OF EFFECTIVENESS								
1. % RATE CASES COMPLTD W/IN APPLIC STATUTORY TIME PD	100	100	100	100	100	100	100	100
2. % NON-RATE MATTERS COMPLTD W/IN APPLC STATU/REG PD		100	100	100	100	100	100	100
3. % INFORMAL COMPLAINT RESOLVED IN REASONABLE TIME		90	90	90	90	90	90	90
4. NO. REPORTED ACCIDENTS INVOLVING UTILITY EMPLOYEES		198	198	198	198	198	198	198
5. AV NO. ELECTRIC SVC INTERRUPTS PER CUSTOMER SVCD		2	2	2	2	2	2	2
6. NO. TELECOMM SVC DISRUPTNS LONGER THAN 1 HR		1	1	1	1	1	1	1
PROGRAM TARGET GROUPS								
1. ELECTRIC AND GAS COMPANIES	5	5	5	5	5	5	5	5
2. PROPERTY CARRIERS	451	451	451	451	451	451	451	451
3. PASSENGER CARRIERS	597	597	597	597	597	597	597	597
4. WATER COMMON CARRIERS	4	4	4	4	4	4	4	4
5. PRIVATE WATER AND WASTEWATER UTILITY COMPANIES	36	36	36	36	36	36	36	36
6. TELECOMMUNICATIONS COMPANIES	196	211	211	211	211	211	211	211
7. OPERATORS OF SUBSURFACE INSTALLATIONS		80	80	80	80	80	80	80
8. PETROLEUM DISTRIBUTORS		15	15	15	15	15	15	15
PROGRAM ACTIVITIES								
1. NUMBER OF APPLICATIONS FILED	344	400	400	400	400	400	400	400
2. NO. DECISIONS/ORDERS & ORDERS ISSUED DOCKETD MATTR	792	800	800	800	800	800	800	800
3. NO. OF PUBLIC HEARINGS AND CONTESTED CASE HEARINGS		41	41	41	41	41	41	41
4. NUMBER OF CITATIONS ISSUED		240	240	240	240	240	240	240
5. NUMBER OF INFORMAL COMPLAINTS FILED	581	600	600	600	600	600	600	600
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS)								
CHARGES FOR CURRENT SERVICES	14,184	14,734	15,312	15,915	15,915	15,915	15,915	15,915
FINES, FORFEITS AND PENALTIES	45	38	32	27	27	27	27	27
NON-REVENUE RECEIPTS	5,617	6,449	6,567	7,140	7,738	7,738	7,738	7,738
TOTAL PROGRAM REVENUES	19,846	21,221	21,911	23,082	23,680	23,680	23,680	23,680
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS)								
GENERAL FUNDS	5,617	6,449	6,567	7,140	7,738	7,738	7,738	7,738
SPECIAL FUNDS	14,229	14,772	15,344	15,942	15,942	15,942	15,942	15,942
TOTAL PROGRAM REVENUES	19,846	21,221	21,911	23,082	23,680	23,680	23,680	23,680

A. Statement of Program Objectives

To ensure that regulated companies efficiently and safely provide their customers with adequate and reliable services at just and reasonable rates, while providing regulated companies with a fair opportunity to earn a reasonable rate of return.

B. Description of Request and Compliance with Section 37-68(1)(A)(B)

The Commission's fiscal biennium 2007-2009 budget request is in compliance with Section 37-68(1)(A)(B). The request includes increased funding to cover expenses associated with the provision of sufficient space to accommodate currently authorized and requested positions; Consumer Advocate Office operations, pursuant to HRS §269-33; positions to develop and implement the Petroleum Monitoring Program, as initiated through Act 78, SLH 2006; and adjustments to increase staff and restructure the Commission to satisfy regulatory requirements.

Due to the changing regulatory environment and the constant expansion in the development and deployment of various technologies and services affecting the changes in regulated industries, the request for increased positions and funding will equip the Commission with the resources and expertise necessary to satisfactorily meet the above objectives. Additional resources will also allow the Commission to proactively and expeditiously address and resolve critical public policy issues facing the State of Hawaii. These issues will significantly impact the economy, education, health, safety, leisure, general welfare, and prosperity of the State and its people.

C. Description of Activities Performed

The Commission is engaged in legislative, judicial, and administrative regulatory activities, such as:

1. Establishing rules and regulations, which include service standards for regulated public utilities and transportation companies;
2. Rendering decisions regarding reasonableness of rates and efficiency in operational and service practices affecting ratepayers and the public; and
3. Processing applications; reviewing requests; and conducting audits, inspections, and investigations of regulated public utilities, other regulated entities, and companies utilizing services under the Commission's jurisdiction, to ensure compliance with rules and regulations.

D. Statement of Key Policies Pursued

The key policies in which the Commission carries out its regulatory functions are:

1. Regulate public utilities to ensure:
 - a. The public of adequate and reliable services at just and reasonable rates; and
 - b. A fair opportunity for the regulated public utilities to earn a reasonable rate of return;
2. Ensure that the public does not experience discriminatory or preferential services, and avoid and eliminate unfair competitive practices among regulated public utilities and other regulated entities;
3. Promote the objectives of the State Plan to, among other things, achieve dependable, efficient, and economical statewide energy; support research, development, and promotion of renewable energy resources; and preserve the environment, while balancing the cost of energy to ratepayers;

4. Maintain a level of safe, adequate, economical, and efficient motor and water carrier transportation services to ensure and permit the flow of goods for commercial purposes between points within the state at just and reasonable rates and fair practices; and
5. Coordinate and support implementation of applicable regulatory initiatives to ensure safe, adequate, economical, and efficient services to the ratepayers and public, as well as, ensure regulated entity integrity and sustainability.

E. Identification of Important Program Relationships

Environmental and economic concerns due to public utility operations and conservation and efficient use of energy are related to the objectives of the Departments of Health, Land and Natural Resources, (DLNR), Labor and Industrial Relations (DLIR), and Business, Economic Development, and Tourism (DBED&T). For transportation, excavator, and subsurface installation services, the Department of Transportation, county offices statewide, and DLIR are involved in the safety of operations of regulated public utilities.

F. Description of Major External Trends Affecting the Program

1. Actions taken by the federal government relating to Voice Over Internet Protocol (VoIP), which is a relatively new technology that allows you to make telephone calls using a broadband Internet connection instead of a regular (or analog) phone line, are being closely monitored by the Commission. Recent decisions made by the Federal Communications Commission (FCC) include: requiring providers of interconnected VoIP service to contribute to the universal service fund; determining that interconnection VoIP is subject to the Communications Assistance for Law Enforcement Act (CALEA), the federal law that facilitates the ability of law enforcement agencies in the conduct of electronic surveillance by requiring telecom carriers, and manufacturers of telecom equipment, to modify and design their services, equipment, and facilities to ensure that they have the needed surveillance capabilities; and adopting rules requiring interconnected VoIP service providers to supply enhanced 911 (E911) to their customers.

Regulatory issues relating to whether VoIP services should be classified as a "telecommunications" or "information" services under the Telecommunications Act of 1996 is pending resolution by the FCC. Additionally, the telecommunications industry, market, and technologies are changing at an accelerating pace. The Commission continues to monitor issues (e.g., infrastructure requirements necessary to support the introduction, deployment, and use of advanced communications technologies and services) relating to the impending rewrite of the federal Telecommunications Act of 1996. These issues will require immediate Commission attention and action so that competitors are motivated by appropriate market signals to seek entry into the local market and compete effectively for Hawaii's consumers, and wireless and wireline telecommunications technologies are encouraged to develop and innovate, while existing networks and infrastructure are adequately maintained and operated.

2. Similar to the national trend toward competition in the telecommunications industry, there have been efforts to introduce and expand competition within the electric industry on the federal and state levels. As a result of this trend, in October of 2003, the Commission opened two investigative dockets, Docket No. 03-0371, Instituting a Proceeding to Investigate Distributed Generation (DG) in the State of Hawaii and Docket No. 03-0372, Instituting a Proceeding to Investigate Competitive Bidding for New Generating Capacity in Hawaii and in April of 2006, one investigative docket, Docket No. 2006-0084, Instituting a Proceeding Under Hawaii's Net Energy Metering Law. For DG, the Commission issued its Decision and Order in January 2006, setting forth certain policies and principles for deployment and certain guidelines and requirements for distributed generation in Hawaii. This Decision and Order was later clarified by the Commission in April 2006. For competitive bidding, the Commission issued its Decision and Order and a proposed framework in May 2006 to govern competitive bidding as a mechanism for acquiring or building new generation in Hawaii, and ordered parties to submit comments on the proposed framework in July 2006. For net energy metering, the Commission granted motions to intervene filed by a couple of entities and a motion for participation without intervention by one entity. Other trends in the energy sector include federal, state and local

programs and policies intended to reduce the dependence on foreign oil and to develop and promote energy efficient technologies for buildings, homes, and power systems. The Commission anticipates that many regulatory issues affecting these trends will be addressed in its forthcoming adjudicatory and rulemaking proceedings.

3. A fairly new technology called Broadband Over Powerlines (BPL), which provides access to high speed broadband services using the communication capabilities of our nation's power grid, is being monitored closely by the Commission at the federal and state regulatory levels. With the recent adoption of rules by the FCC to provide a framework that will both facilitate the rapid introduction and development of BPL systems while also protecting licensed radio services from harmful interference, regulatory uncertainties will hopefully be removed.
4. Initiatives supporting the development and utilization of additional and new renewable energy sources have increased on the national and state levels, including state legislation that, among other things, requires the development and implementation of Renewable Portfolio Standards (RPS) and a utility ratemaking structure that may include but is not limited to performance-based ratemaking. The Commission has begun to implement the provisions set forth in Act 95, Session Laws of Hawaii 2004 and Act 162, Session Laws of Hawaii 2006, relating to RPS, in order to encourage and promote the increased use of renewable energy resources in Hawaii. The Commission held two (2) two-day workshops. The goals of the first workshop, held in November, 2004, were to describe and gather comments on the Commission's methodology in fulfilling its legislative mandate. The goals of the second workshop, held in October, 2005, were to analyze the design and implementation of various RPS programs in the U.S., to examine potential alternative renewable energy resources in Hawaii, and to identify proposed or potential ratemaking structures and incentives consisting of candidate RPS components and incentive regulation mechanisms for implementing Hawaii's RPS. Since the first two (2) workshops, the renewable portfolio standards law was substantively amended by Act 162, Session Laws of Hawaii, 2006. The most significant amendment is the requirement that the Commission

ensure that the utilities' profit margins not be decreased as a result of a ratemaking structure to provide incentives to use renewable energy resources was deleted from the renewable portfolio standards law. Accordingly, the Commission will proceed in its efforts to implement the renewable portfolio standards law and policy to encourage and foster the increased use of renewable energy resources in Hawaii.

G. Discussion of Cost, Effectiveness, and Program Size Data

Vacant positions continue to impact the Commission's ability to function at its full potential. Although the Commission's emphasis on recruitment activities have resulted in continuous filling of positions, the amount of vacancies have remained constant due to natural turnover of personnel (i.e., retirement, career advancements, relocation, etc.). Since July 2006, the Commission has continued their focus on recruitment and is projected to reduce its vacancies by approximately 50% by December 2006. Subject to the availability of funds, the proposed expansion of the Commission in the upcoming biennium will allow focused expertise and cross-functional work groups to enable it to address new and foreseeable statutory duties and responsibilities. This will allow the Commission to better meet its program objectives.

In addition, the Commission will continue to improve its effectiveness by working towards making the regulatory process more transparent as the Commission increases its operational efficiency.

H. Discussion of Program Revenue

Regulated utilities and transportation companies are assessed fees for filings, earnings and penalties. For fiscal year 2007, it is projected that \$14.8 million will be collected. Excess funds are lapsed from the Special Fund to the General Fund annually. For FY 06, \$6.4 million was lapsed and it is estimated for FY 07 through FY 09 approximately \$6.6 million, \$7.1 million, \$7.7 million will be lapsed to the General Fund respectively.

I. Summary of Analysis Performed

To address existing, newly established, and foreseeable additional statutory duties and responsibilities of the Commission, a review of the Commission's existing organizational structure was conducted. The review included analysis of other State commission's organizational structure, as well as, review of how their functional responsibilities, by profession, satisfy required regulatory functions.

To address existing duties and responsibilities more efficiently, the Commission has developed and commenced implementation of a strategic plan that, among other things, focuses on filling position vacancies, increasing information accessibility and improving services to the public. To address newly established and foreseeable additional statutory duties and responsibilities, the Commission has also initiated steps to establish an organizational structure that fosters industry specific knowledge within professional sections in order to elicit more in-depth analysis and recommendations to the commissioners to allow for more informed and comprehensive decision making.

J. Further Considerations

None.

OPERATING AND CAPITAL EXPENDITURES

REPORT P61-A

PROGRAM ID: **BUF151**
 PROGRAM STRUCTURE NO. **100301**
 PROGRAM TITLE: **OFFICE OF THE PUBLIC DEFENDER**

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13
OPERATING COST	80.00*	81.00*	81.00*	81.00*	81.0*	81.0*	81.0*	81.0*
PERSONAL SERVICES	7,885,674	8,451,928	8,573,122	8,573,896	8,574	8,574	8,574	8,574
OTHER CURRENT EXPENSES	533,804	689,086	689,086	689,086	689	689	689	689
EQUIPMENT	110,376	3,098						
TOTAL OPERATING COST	8,529,854	9,144,112	9,262,208	9,262,982	9,263	9,263	9,263	9,263
BY MEANS OF FINANCING	80.00*	81.00*	81.00*	81.00*	81.0*	81.0*	81.0*	81.0*
GENERAL FUND	8,529,854	9,144,112	9,262,208	9,262,982	9,263	9,263	9,263	9,263
TOTAL POSITIONS	80.00*	81.00*	81.00*	81.00*	81.00*	81.00*	81.00*	81.00*
TOTAL PROGRAM COST	8,529,854	9,144,112	9,262,208	9,262,982	9,263	9,263	9,263	9,263

PROGRAM ID: BUF151
 PROGRAM STRUCTURE: 100301
 PROGRAM TITLE: OFFICE OF THE PUBLIC DEFENDER

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
MEASURES OF EFFECTIVENESS								
1. % ATTORNY CASELDS EXCEED NATL STD FOR FELONY CASES		5	5	5	5	5	5	5
2. % ATTRNY CASELDS EXCEED NATL STD FOR MISDMNR CASES		353	362	259	196	153	123	99
3. % ATTORNY CASELDS EXCEED NATL STD FOR FAMLY COURT		211	218	181	153	131	113	98
4. % ATTRNY CASELDS EXCEED NATL STD FOR APPEALS CASES		5	5	5	5	5	5	5
5. ANNL # TRNG HRS COMPL BY PROF STAFF AS % PLNND HRS	90	90	90	90	90	90	90	90
PROGRAM TARGET GROUPS								
1. INDIGENTS REQUIRING SERVICES FOR FELONY CASES	5102	5204	5308	5414	5522	5632	5745	5860
2. INDIGENTS REQUIRING SERVICES FOR MISDEMEANOR CASES	29451	30040	30641	31254	31879	32517	33167	33830
3. INDIGENTS REQUIRING SERVICES FOR APPEALS CASES	105	107	109	111	113	115	117	119
4. INDIGENTS REQUIRNG SVCS FOR MENTAL COMMITMNT CASES	256	261	266	271	276	282	288	294
5. INDIGENTS REQUIRNG SERVICES FOR FAMILY COURT CASES	8409	8577	8749	8924	9102	9284	9470	9659
6. INDIGENTS REQUIRING SERVICES FOR PRISON CASES	1973	2012	2052	2093	2135	2178	2222	2266
PROGRAM ACTIVITIES								
1. CASES ACCEPTED - FELONY	4545	4636	4729	4824	4920	5018	5118	5220
2. CASES ACCEPTED - MISDEMEANOR	28441	29010	29590	30182	30786	31402	32030	32671
3. CASES ACCEPTED - FAMILY COURT	7932	8091	8253	8418	8586	8758	8933	9112
4. CASES ACCEPTED - APPEAL	105	107	109	111	113	115	117	119
5. CASES ACCEPTED - MENTAL COMMITMENT	256	261	266	271	276	282	288	294
6. CASES ACCEPTED - PRISON	1973	2012	2052	2093	2135	2178	2222	2266

A. Statement of Program Objectives

To safeguard the rights of individuals by providing statutorily entitled and effective legal representation in criminal, mental commitment, and family cases in compliance with the Hawaii Rules of Professional Conduct. Prudently manage deputy public defender and support service resources and caseloads and maintain quality training program for deputy defender staff.

B. Description of Request and Compliance with Section 37-68(1)(A)(B)

Not Applicable.

C. Description of Activities Performed

Program activities include providing comprehensive legal and related services to the target group in all police, judicial and related administrative proceedings in the following situations.

- Custodial interrogations and lineups
- Preliminary hearings
- Arraignments
- Pretrial release and bail hearings
- Pretrial motions proceedings
- Pretrial investigations
- Trial proceedings
- Sentencing proceedings
- Minimum term and parole hearings
- Appellate and post-conviction proceedings
- Bench warrant, extradition and material witness proceedings
- Family Court juvenile and adult proceedings
- Order to Show Cause proceedings in spouse abuse and other contempt matters in the Family Courts

- Involuntary commitment and out-patient proceedings
- Legal advisement of persons in police custody and members of the public

D. Statement of Key Policies Pursued

Provide comprehensive legal and other necessary services in criminal and related cases at the least possible cost. The scope of services that must be provided generally is dictated by the Federal and State Constitutions, the State statutes, judicial rules, decisions and opinions, and the canons of professional ethics.

E. Identification of Important Program Relationships

While the program is necessarily affected by the activities of key components within the criminal justice system (police, prosecution, courts, corrections, parole), the adversarial nature of the program's responsibilities precludes significant relationship with other agencies. The Office of the Public Defender is recognized as an agency which is a critical component of the criminal justice system and has a seat on a number of judiciary committees that address issues and problems within the system.

F. Description of Major External Trends Affecting the Program

The Office of the Public Defender is constitutionally mandated to provide legal assistance to all indigent accused persons requesting representation in misdemeanor, family and felony cases. Staffing requirements for the Office of the Public Defender is dependent not only upon the sheer volume of cases handled by the Office, but is also directly related to administrative changes by the Judiciary. When the Judiciary expands by the addition of judges or the addition of court days, workload for the Office increases. The Judiciary continues to make organizational changes in its effort to process greater

numbers of criminal prosecutions in a reduced time period; this in turn has continued to significantly impact the Office. Workload is also impacted by changes in the law increasing the need for representation (i.e., mandatory sentencing laws, sex offender registry).

G. Discussion of Cost, Effectiveness, and Program Size Data

Planned level of program effectiveness is measured in the number of clients provided effective representation. The goal of the agency is to avoid judicial or disciplinary counsel determinations of ineffective assistance of counsel that would reflect a major denial of Federal and State Constitutional rights as well as to operate efficiently within its allocated budgetary guidelines. The program has realized its planned level of effectiveness in the past biennial period.

H. Discussion of Program Revenue

Pursuant to statute, if at any time after counsel is appointed, the court is satisfied that a defendant is financially able to obtain counsel or to make partial payment for the representation, the court may terminate the appointment of counsel, unless the person so represented is willing to pay for the representation. If appointed counsel continues the representation, the court shall direct payment for such representation as the interests of justice may dictate. Any payments directed by the court shall be general fund realizations.

This reimbursement process is employed in those very rare instances where a defendant has subsequent ability to pay for counsel. Additionally, consideration has been given to requiring some contribution from all but the most impecunious of clients. It is believed that this would require costs of collection and accounting that would far outweigh the benefit.

I. Summary of Analysis Performed

Improvement in future years will be contingent upon program expansion commensurate with the increase in the size of the target group. It remains difficult to anticipate fluctuations in the target group to provide a staffing and

funding pattern to assure an optimum level of effectiveness. Nonetheless, policy changes initiated within the Judiciary such as expansion of court days and number of courts, and increased weekly trial setting to reduce case backlogs in felony, district, and family courts have imposed burdens that require relief through expansion of staff resources.

J. Further Considerations

None.

OPERATING AND CAPITAL EXPENDITURES

REPORT P61-A

PROGRAM ID:

PROGRAM STRUCTURE NO. **11**

PROGRAM TITLE: **GOVERNMENT-WIDE SUPPORT**

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13
OPERATING COST	168.00*	168.00*	181.00*	181.00*	181.0*	181.0*	181.0*	181.0*
PERSONAL SERVICES	10,053,124	12,430,242	12,625,697	12,423,141	12,423	12,423	12,423	12,423
OTHER CURRENT EXPENSES	1,352,234,571	1,468,035,662	1,526,329,224	1,588,216,307	1,609,587	1,658,472	1,676,910	1,742,587
EQUIPMENT	130,409	133,500	3,170,680	588,720				
TOTAL OPERATING COST	1,362,418,104	1,480,599,404	1,542,125,601	1,601,228,168	1,622,010	1,670,895	1,689,333	1,755,010
BY MEANS OF FINANCING	63.00*	63.00*	63.00*	63.00*	63.0*	63.0*	63.0*	63.0*
GENERAL FUND	572,062,825	633,468,386	661,533,621	687,745,773	696,344	717,468	724,540	753,161
TRUST FUNDS	30.00*	30.00*	35.00*	35.00*	35.0*	35.0*	35.0*	35.0*
INTERDEPT. TRANSFER	8,952,118	9,296,961	17,712,758	10,322,767	10,323	10,323	10,323	10,323
OTHER FUNDS	774,877,364	828,887,824	851,853,976	892,209,412	904,980	932,741	944,107	981,163
	75.00*	75.00*	83.00*	83.00*	83.0*	83.0*	83.0*	83.0*
	6,525,797	8,946,233	11,025,246	10,950,216	10,363	10,363	10,363	10,363
CAPITAL IMPROVEMENT COSTS								
CONSTRUCTION	248,736,000	75,000,000	150,173,000	77,407,000	75,000	75,000	75,000	75,000
TOTAL CAPITAL EXPENDITURES	248,736,000	75,000,000	150,173,000	77,407,000	75,000	75,000	75,000	75,000
BY MEANS OF FINANCING								
G.O. BONDS	248,736,000	75,000,000	150,173,000	77,407,000	75,000	75,000	75,000	75,000
TOTAL POSITIONS	168.00*	168.00*	181.00*	181.00*	181.00*	181.00*	181.00*	181.00*
TOTAL PROGRAM COST	1,611,154,104	1,555,599,404	1,692,298,601	1,678,635,168	1,697,010	1,745,895	1,764,333	1,830,010

OPERATING AND CAPITAL EXPENDITURES

REPORT P61-A

PROGRAM ID: **BUF101**
 PROGRAM STRUCTURE NO. **11010305**
 PROGRAM TITLE: **DEPARTMENTAL ADMINISTRATION & BUDGET DIV**

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13
OPERATING COST	49.00*	49.00*	49.00*	49.00*	49.0*	49.0*	49.0*	49.0*
PERSONAL SERVICES	2,932,364	3,152,518	3,239,102	3,239,385	3,239	3,239	3,239	3,239
OTHER CURRENT EXPENSES	347,601,012	377,883,752	397,601,328	420,688,189	440,382	461,849	485,268	510,814
EQUIPMENT	12,960	1,500	4,250	1,500				
TOTAL OPERATING COST	350,546,336	381,037,770	400,844,680	423,929,074	443,621	465,088	488,507	514,053
BY MEANS OF FINANCING	49.00*	49.00*	49.00*	49.00*	49.0*	49.0*	49.0*	49.0*
GENERAL FUND	131,720,203	148,865,291	172,520,381	181,422,460	189,495	198,296	207,898	218,372
INTERDEPT. TRANSFER	218,826,133	232,172,479	228,324,299	242,506,614	254,126	266,792	280,609	295,681
CAPITAL IMPROVEMENT COSTS								
CONSTRUCTION	248,736,000	75,000,000	150,173,000	77,407,000	75,000	75,000	75,000	75,000
TOTAL CAPITAL EXPENDITURES	248,736,000	75,000,000	150,173,000	77,407,000	75,000	75,000	75,000	75,000
BY MEANS OF FINANCING								
G.O. BONDS	248,736,000	75,000,000	150,173,000	77,407,000	75,000	75,000	75,000	75,000
TOTAL POSITIONS	49.00*	49.00*	49.00*	49.00*	49.00*	49.00*	49.00*	49.00*
TOTAL PROGRAM COST	599,282,336	456,037,770	551,017,680	501,336,074	518,621	540,088	563,507	589,053

STATE OF HAWAII

PERFORMANCE MEASURES AND PROGRAM REVENUES

REPORT P62

PROGRAM ID: BUF101
 PROGRAM STRUCTURE: 11010305
 PROGRAM TITLE: DEPARTMENTAL ADMINISTRATION AND BUDGET DIVISION

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
MEASURES OF EFFECTIVENESS								
1. % OF RECOMMDTNS ON DEPT REQSTS COMPLTD BY DUE DATE	0	90	90	90	90	90	90	90
2. PERCENTAGE OF VENDOR PAYMENTS MADE WITHIN 30 DAYS	92	95	95	95	95	95	95	95
3. % VAR IN EXP FIXED COST/ENTITLMTS VS ANNUL ALLTMNT	7	8	8	8	8	8	8	8
4. %PAYRLL-REL HRMS TRANS COMPL W/IN 5 DAYS OF APPRVL	63	90	90	90	90	90	90	90
5. % USER IT TROUBLSHTG REQ RESPND TO W/IN 2 WKG DAYS	92	90	90	90	90	90	90	90
6. % PC/LAN MALFUNCTNS RESPONDED TO WITHIN 6 WKG DAYS	84	90	90	90	90	90	90	90
PROGRAM TARGET GROUPS								
1. GOVERNOR AND EXECUTIVE AGENCIES	20	20	20	20	20	20	20	20
PROGRAM ACTIVITIES								
1. NO. OF DEPT PROGRAM PLANS REVIEWED AND PROCESSED	252	231	230	230	230	230	230	230
2. NO. OF PROGRAM BUDGET REQUESTS REVIEWED & PROCESSED	664	1871	1000	1000	1000	1000	1000	1000
3. NUMBER OF PROGRAM MEMORANDA PREPARED	0	11	0	11	0	11	0	11
4. NUMBER OF VARIANCE REPORTS REVIEWED AND PROCESSED	252	250	230	230	230	230	230	230
5. NO. OF EXPEND PLANS & ALLOTMENT REQUESTS PROCESSED	3264	3200	3200	3200	3200	3200	3200	3200
6. NUMBER OF REFERRALS PROCESSED	1538	1600	1600	1600	1600	1600	1600	1600
7. NO. OF LEGISLATIVE PROPOSALS REVIEWED FOR GOVERNOR	238	250	250	250	250	250	250	250
8. NO. BILLS PASSED BY LEGISLATURE REVIEWED FOR GOV	260	260	260	260	260	260	260	260
9. NO. OF REORGANIZATN PROPOSALS REVIEWED & PROCESSED	10	12	12	12	12	12	12	12
10. NO. OF CIP ALLOTMENT REQUESTS REVIEWED & PROCESSED	365	400	400	400	400	400	400	400
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS)								
CHARGES FOR CURRENT SERVICES	31,633	32,490	35,163	35,633	37,620	37,530	38,545	37,037
NON-REVENUE RECEIPTS	134,544	136,514	145,683	148,931	148,931	148,931	148,931	148,931
TOTAL PROGRAM REVENUES	166,177	169,004	180,846	184,564	186,551	186,461	187,476	185,968
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS)								
GENERAL FUNDS	151,948	159,418	166,400	170,118	172,105	172,015	173,030	171,522
SPECIAL FUNDS	14,229	9,586	14,446	14,446	14,446	14,446	14,446	14,446
TOTAL PROGRAM REVENUES	166,177	169,004	180,846	184,564	186,551	186,461	187,476	185,968

A. Statement of Program Objectives

To facilitate and improve the executive resource allocation process by thorough planning, programming, and budgeting and analyses, through sound recommendations on all phases of program scope and funding, and by efforts to simplify and more directly tie program performance with resource allocation decisions.

B. Description of Request and Compliance with Section 37-68(1)(A)(B)

Total employer contribution requirements for health benefit premiums total \$388.4 million in FY 2008 and \$411.5 million in FY 2009 (all means of financing). The budget request reflects adjustments from the budget ceiling of \$401.6 million.

Cost requirements for active employees generally reflect the benefit premiums based on the FY 2007 Employer-Union Trust Fund (EUTF) contract rates and projected eligible employees. FY 2008 and FY 2009 rate adjustments will be included in collective bargaining appropriations, as applicable. Premium rates for retirees are based on rates projected by the EUTF Benefits Consultant and anticipated enrollment levels. Projected enrollments for actives and retirees are based on actual as of July 2006. The requested decrease in FY 2008 is attributed primarily to lower than budgeted premium rates in FY 2007.

The biennium budget ceiling included funds appropriated for Act 178, SLH 2005 for costs included in the August 17, 2004 Bargaining Unit 10 collective bargaining agreement. Transfers were applicable only in the last biennium. A net reduction of \$1.55 million in general funds and \$30,057 in federal fund authorization is requested in each year of the biennium.

The budget request also reflects the centralization of risk management costs in the AGS 901 program. BUF 101 general funds are therefore, reduced by \$9,059 in each year of the biennium.

Lastly, the biennium budget includes General Obligation Bond transfers of: 1) \$90.2 million in FY 2008 and \$47.4 million in FY 2009 to the State Educational Facilities Improvement (SEFI) Special Fund to permit the State to meet its obligation under Section 36-32, HRS, and Section 237-31, HRS; and 2) \$60 million in FY 2008 and \$30 million in FY 2009 to the Hawaiian Home Lands Trust fund to satisfy the provision of Act 14, SpSLH 1995.

C. Description of Activities Performed

Major activities carried out by this program are as follows:

1. Conducts continuous review and advises the Governor on the financial condition of the State.
2. Assists in the preparation, explanation and administration of the State's long-range plans, proposed six-year program and financial plan, and State budget.
3. Performs other staff services for the Governor as required.
4. Advises on and monitors compliance of the budget execution policies and procedures.
5. Conducts comprehensive and in-depth analysis on State programs, operations, problems and issues to provide management with sound, rationale basis for decision-making.
6. Provides information requested by the Legislature.

7. Reviews proposed legislation and recommends appropriate action to the Governor on bills awaiting his signature.
8. Develops, designs, and implements government-wide management improvement projects to increase the effectiveness and economical use of management resources.
9. Provides administrative support activities to the Department.

D. Statement of Key Policies Pursued

The method of attaining program objective is the implementation of legislative policies expressed in Chapter 37, HRS.

E. Identification of Important Program Relationships

This program has significant relationships with the legislature and staff agencies to ensure that the State budget is consistent with applicable laws and policies.

This program also works with the Financial Administration Program (BUF 115) to ensure availability of funds for capital improvement projects.

F. Description of Major External Trends Affecting the Program

None.

G. Discussion of Cost, Effectiveness, and Program Size Data

None.

H. Discussion of Program Revenue

None.

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

J. Further Considerations

None.

OPERATING AND CAPITAL EXPENDITURES

REPORT P61-A

PROGRAM ID: **BUF115**
 PROGRAM STRUCTURE NO. **110203**
 PROGRAM TITLE: **FINANCIAL ADMINISTRATION**

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13
OPERATING COST	18.00*	18.00*	23.00*	23.00*	23.0*	23.0*	23.0*	23.0*
PERSONAL SERVICES	1,089,731	1,215,904	1,230,934	1,230,995	1,231	1,231	1,231	1,231
OTHER CURRENT EXPENSES	505,064,250	553,339,050	583,800,013	616,799,876	613,139	635,168	624,742	659,378
EQUIPMENT	10,810							
TOTAL OPERATING COST	506,164,791	554,554,954	585,030,947	618,030,871	614,370	636,399	625,973	660,609
BY MEANS OF FINANCING								
GENERAL FUND	14.00*	14.00*	14.00*	14.00*	14.0*	14.0*	14.0*	14.0*
	228,455,819	245,168,203	266,573,412	281,700,610	280,022	290,120	285,341	301,218
TRUST FUNDS	4.00*	4.00*	9.00*	9.00*	9.0*	9.0*	9.0*	9.0*
	5,541,141	4,798,482	6,031,359	6,031,359	6,031	6,031	6,031	6,031
INTERDEPT. TRANSFER	272,167,831	304,588,269	312,426,176	330,298,902	328,317	340,248	334,601	353,360
TOTAL POSITIONS	18.00*	18.00*	23.00*	23.00*	23.00*	23.00*	23.00*	23.00*
TOTAL PROGRAM COST	506,164,791	554,554,954	585,030,947	618,030,871	614,370	636,399	625,973	660,609

STATE OF HAWAII

PERFORMANCE MEASURES AND PROGRAM REVENUES

REPORT P62

PROGRAM ID: BUF115
 PROGRAM STRUCTURE: 110203
 PROGRAM TITLE: FINANCIAL ADMINISTRATION

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
MEASURES OF EFFECTIVENESS								
1. AV ANN RATE OF RETURN ON STATE TREASURY INVSTMTS	3.24	3.52	3	3	3	3	3	3
2. RATE OF INT PD ON STATE BONDS REL TO BOND INDEX(%)	99	90	90	90	90	90	90	90
3. % TREASURY TRANSACTNS UNRECONCILED AFTER 30 DAYS	8	8	8	8	8	8	8	8
4. %INCR IN NEW UNCLAIMED PROP HOLDER REPTS FILED	1	2	3	4	4	4	4	4
5. % INCR IN UNCLAIMED PROPERTY AMOUNTS REPORTED	1	1	1	1	1	1	1	1
6. %INCR IN RETURNS OF UNCLMD PROP TO RIGHTFUL OWNERS	1	2	3	4	4	5	5	5
PROGRAM TARGET GROUPS								
1. STATE DEPARTMENTS	20	20	20	20	20	20	20	20
2. STATE INVESTMENT ACCOUNTS	9	9	9	9	9	9	9	9
3. STATE FUND INVESTMENTS (\$ MILLIONS)	1239	1318	1374	1641	1626	1586	1481	1497
4. LOCAL AND MAINLAND FINANCIAL INSTITUTIONS	11	11	11	11	11	11	11	11
5. UNCLAIMED PROPERTY HOLDERS	9269	10200	10000	10000	10000	10000	10000	10000
6. OWNERS OF UNCLAIMED PROPERTY	81635	60000	80000	80000	80000	80000	80000	80000
PROGRAM ACTIVITIES								
1. NO. OF STATE BOND ISSUES UNDERTAKEN	4	9	8	7	8	7	8	7
2. # STATE BOND CALLS AND/OR REDEMPTIONS INITIATED	0	2	0	0	2	0	2	2
3. NO. OF STATE BOND ACCOUNTS/HOLDERS SERVICED	61	68	68	68	68	68	68	68
4. AMOUNT OF STATE FUNDS MANAGED (IN MILLIONS)	3686	3907	4141	4323	4526	4707	4933	5204
5. NO. OF STATE AGENCY ACCOUNTS SERVICED	389	389	389	389	389	389	389	389
6. NO. OF UNCLAIMED PROPERTY CLAIMS PAID	8311	5500	5419	5617	5849	6118	6363	6618
7. AMOUNT OF UNCLAIMED PROPERTY CLAIMS PAID (000'S)	5132	5200	5225	5250	5275	5300	5325	5350
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS)								
REVENUES FROM THE USE OF MONEY AND PROPERTY	62,590	64,255	63,362	62,725	61,473	60,259	58,043	57,314
REVENUE FROM OTHER AGENCIES: FEDERAL	7	7	7	7	7	7	7	7
REVENUE FROM OTHER AGENCIES: ALL OTHER	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
NON-REVENUE RECEIPTS	52,822	44,905	30,257	27,189	21,366	25,455	23,205	23,070
TOTAL PROGRAM REVENUES	125,419	119,167	103,626	99,921	92,846	95,721	91,255	90,391
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS)								
GENERAL FUNDS	97,828	109,161	93,620	89,915	82,840	85,715	81,249	80,385
ALL OTHER FUNDS	27,591	10,006	10,006	10,006	10,006	10,006	10,006	10,006
TOTAL PROGRAM REVENUES	125,419	119,167	103,626	99,921	92,846	95,721	91,255	90,391

A. Statement of Program Objectives

To maximize the value, investment, and use of State funds through proactive planning, the development of prudent statewide financial policies, the timely scheduling of State bond financing and the establishment of appropriate cash management controls and procedures.

B. Description of Request and Compliance with Section 37-68(1)(A)(B)

Operating cost increases are primarily attributed to debt service requirements that total \$576.8 million in FY 2008 and \$609.8 million in FY 2009. The request reflects a projected net increase (all means of financing) in debt service cost of \$18.8 million in FY 2008 and \$51.8 million in FY 2009 over the FY 2007 allocation. This increase is based on the bond issuance plan that includes \$350 million 2nd half issuance in FY 2007 at 5.7%, \$550 million in FY 2008 at 6.0%, \$550 million in FY 2009 at 6.0%, \$525 million in FY 2010 at 6.0% and \$525 million in FY 2011 at 6.0%.

Discretionary costs for fiscal year 2008 and fiscal year 2009 is increased by \$1.2 million (trust funds) primarily for the settlement of unclaimed property claims and the conversion of five (5.00) temporary positions to permanent. The positions were established in FY 2005 to support the Unclaimed Property program's outreach efforts. Claims funding is estimated at \$5.5 million in each year of the biennium. Claims for the 1st quarter of FY 2007 totaled \$1.0 million and are estimated at \$4.5 million by fiscal year end should this trend continue. The number of claims has also increased during the past years because of public awareness of the unclaimed property program.

C. Description of Activities Performed

One of the major activities of this program is to plan, direct, and coordinate the overall financial policies in areas such as investments and the issuance and marketing the sale of State of Hawaii bonds.

Other major activities of this program are to receive, safeguard and disburse funds in the State Treasury to meet payment of State obligations and invest moneys in excess of the amount necessary for the meeting the immediate requirements of the State. The program also administers the Unclaimed Property function by assuming the custody and responsibility for the safekeeping of property presumed abandoned. The program also returns property presumed abandoned when the rightful owners file claims.

D. Statement of Key Policies Pursued

Manage State funds based on criteria of safety, liquidity, and yield to ensure payment of State obligations in a timely manner. Invest funds consistent with the administration policy which provides that in cases where State monies are in excess of the amount necessary to meet immediate requirements, and where action will not impede or hamper the financial operation of the State, such monies shall be invested in the types of investments permitted under Chapter 36, Hawaii Revised Statutes, as amended.

Adhere to standards of internal and external controls to safeguard State funds and securities. Sections 38-2 and 38-3, Hawaii Revised Statutes (HRS), provide for the pledging of securities by financial institutions, serving as depositories of State funds, for the protection of public funds.

Section 40-7, HRS, requires an annual count of moneys and securities in the State Treasury.

Determine the specific date and amount of bond sales based on cash requirements of the State and prevailing money market conditions. The debt management program determines the specific date and amount of bond sales based on cash requirements of the State and prevailing market conditions.

The Unclaimed Property Program protects the interest of owners of abandoned property by assuming State custody of such property until claimed by their rightful owners. Chapter 523A, HRS, provides the statutory guidelines for the administration of the State Unclaimed Property Program.

E. Identification of Important Program Relationships

Investments of cash in excess of the State's immediate requirements are made on a regular basis with banks and other financial institutions. In an effort to maximize the interest earnings for the State, this program works closely with these institutions to obtain the best possible interest rates at any given time.

To carry out the coordination of the State's Bond Program, direct involvement with other State department programs is necessary in areas such as:

- 1) directing the activities of and participating in issuing revenue bonds; and
- 2) evaluating and recommending alternative financing options to meet funding requirements.

This program is instrumental in directing all activities of a bond issue. Essential to planning the issuance and marketing the sale of bonds is a good working relationship with bond counsel, underwriters, investment banking firms and other private sector entities. Coordination of the timing of bond issuances by the State and four Counties is important to avoid having a number of Hawaii issues in the marketplace at any one time which would lead to higher interest costs for all issuers and a negative impact on the marketability of the bonds.

Also important in the marketability of a bond is the bond rating established by national bond rating agencies. Any factors which would possibly affect the State's bond rating are conveyed in a timely manner to these agencies.

F. Description of Major External Trends Affecting the Program

The state of the economy, on the national, international, and local levels, is a major focus area of this program. The program must continually assess and evaluate the State's overall financial condition. It is important to keep abreast of local, national, and international economic, social, and financial trends affecting financing and investments. This program must be aware of Federal and State laws, rules and issues related to investments, debt financing, and cash management to ensure that the State's financial policies and procedures are in conformance. When new procedures are necessary to ensure conformance, they must be implemented in a timely manner.

Since the cash resources of the State constitute a significant and important aspect of the financial management of the State, trends in interest rates are closely monitored. The State's investment earnings are determined to a large extent by the prevailing interest rates of short-term securities. The prime-lending rate of the banks, which generally sets the tone for all investment rates, is closely monitored.

G. Discussion of Cost, Effectiveness, and Program Size Data

General Obligation bonds issued and outstanding as of July 1, 2006 totaled \$4.329 billion. The estimated cost of debt service for general obligation bonds is as follows:

	(In Thousands of Dollars)			
	Actual <u>2005-06</u>	Estimated <u>2006-07</u>	Estimated <u>2007-08</u>	Estimated <u>2008-09</u>
Principal	\$286,639	\$310,119	\$323,825	\$338,569

Interest	<u>212,024</u>	<u>237,495</u>	<u>253,022</u>	<u>271,278</u>
Total	<u>\$498,663</u>	<u>\$547,614</u>	<u>\$576,847</u>	<u>\$609,847</u>

As of June 30, 2006, there was \$4.180 billion in the State Treasury's investment portfolio. Of this amount, \$1.192 billion was invested in interest bearing securities issued by financial institutions doing business in the State and \$2.988 billion in securities issued by the U.S. Treasury and agencies of the United States Government.

H. Discussion of Program Revenue

Major program revenues are derived from the following sources:

1. Interest earned on interest bearing demand accounts.
2. Interest earned on certificates of time deposits.
3. Interest earned on U.S. Treasury Bills and repurchase agreements primarily acquired for liquidity purposes.
4. Assessments on State Agencies for the payment of interest and principal on reimbursable general obligation bonds.
5. Collections from properties presumed abandoned.

I. Summary of Analysis Performed

No in-depth program analysis has been conducted.

J. Further Considerations

Not applicable.

OPERATING AND CAPITAL EXPENDITURES

REPORT P61-A

PROGRAM ID: **BUF141**
 PROGRAM STRUCTURE NO. **11030601**
 PROGRAM TITLE: **EMPLOYEES' RETIREMENT SYSTEM**

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13
OPERATING COST	75.00*	75.00*	83.00*	83.00*	83.0*	83.0*	83.0*	83.0*
PERSONAL SERVICES	4,533,617	6,403,718	6,285,996	6,185,996	6,186	6,186	6,186	6,186
OTHER CURRENT EXPENSES	497,762,383	533,972,483	537,862,329	548,203,599	553,541	558,930	564,375	569,870
EQUIPMENT		132,000	420,250	587,220				
TOTAL OPERATING COST	502,296,000	540,508,201	544,568,575	554,976,815	559,727	565,116	570,561	576,056
BY MEANS OF FINANCING								
GENERAL FUND	211,886,803	239,434,892	222,439,828	224,622,703	226,827	229,052	231,301	233,571
INTERDEPT. TRANSFER	283,883,400	292,127,076	311,103,501	319,403,896	322,537	325,701	328,897	332,122
	75.00*	75.00*	83.00*	83.00*	83.0*	83.0*	83.0*	83.0*
OTHER FUNDS	6,525,797	8,946,233	11,025,246	10,950,216	10,363	10,363	10,363	10,363
TOTAL POSITIONS	75.00*	75.00*	83.00*	83.00*	83.00*	83.00*	83.00*	83.00*
TOTAL PROGRAM COST	502,296,000	540,508,201	544,568,575	554,976,815	559,727	565,116	570,561	576,056

PROGRAM ID: BUF141
 PROGRAM STRUCTURE: 11030601
 PROGRAM TITLE: EMPLOYEES' RETIREMENT SYSTEM

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
MEASURES OF EFFECTIVENESS								
1. AV TIME TO PROC INIT CHECK TO TERMNTG EMPlys (WKS)	3	3	3	3	3	3	3	3
2. % INITIAL MTHLY PENSION PROC W/IN 1 MTH AFTR RETIR		100	100	100	100	100	100	100
3. ANNUALIZED RETURN ON INVESTMENTS OVER PAST 5 YEARS		10	10	10	10	10	10	10
PROGRAM TARGET GROUPS								
1. ACTIVE MEMBERS	64069	65200	65700	66200	66700	67200	68000	68500
2. RETIRED MEMBERS	34304	35500	36700	37800	38900	41000	42000	43000
3. INACTIVE VESTED MEMBERS	5164	5400	5600	5800	6000	6200	6400	6600
PROGRAM ACTIVITIES								
1. ANNUAL NUMBER OF NEW MEMBERS	4667	5000	5000	5000	4000	4000	4000	4000
2. ANNUAL NUMBER OF MEMBERS COUNSELED			4000	6000	10000	14000	14000	14000
3. ANNUAL NUMBER OF RETIREMENT BENEFIT COMPUTATIONS	4435	6000	6000	6500	7000	7500	8000	8500
4. ANNUAL NUMBER OF NEW RETIREES	1669	1700	1800	1800	1600	1600	1600	1600
5. ANNUAL RETIREMNT BENEFIT PAYMNT AMOUNTS (MILLIONS)			750	800	850	900	950	1000
6. ANNUAL NUMBER OF DECEASED MEMBER CLAIMS	1613	1600	1600	1600	1600	1600	1600	1600
7. ANNUAL NUMBER OF REFUND PAYMENTS	271	500	900	1000	1000	1000	1000	1000
8. ASSETS (BILLIONS OF DOLLARS)	10.1	10.6	11	12	12	13	14	15
9. ANNUAL NET INVESTMENT INCOME (MILLIONS)		800	800	900	900	1000	1100	1200
10. ANNUAL RETURN ON INVESTMENTS		10	10	10	10	10	10	10

A. Statement of Program Objectives

To administer the retirement and survivor benefits program for the State and county members and to anticipate and exceed their needs; manage the Retirement System's resources in a responsible and cost-effective manner; prudently manage investments in accordance with fiduciary standards; and to provide an open and participative work environment for staff.

B. Description of Request and Compliance with Section 37-68(1)(A)(B)

Increases funds for the employer's share of pension accumulation (PA) costs by a net \$1.6 million in FY 2009 and reduce Social Security/Medicare (SS/Med) requirements (all means of financing) \$9.5 million and \$5.6 million in FY 2008 and FY 2009, respectively. PA and SS/Med requirements are based on more refined payroll data and a more direct method of computation to derive payroll estimates. Interdepartmental transfers are from University of Hawaii (UH) and Department of Education (DOE) whose general fund appropriations include both PA and SS/Med costs. The projections are based on actual payroll data through June 30, 2006. Employer PA contributions are based on statutorily set percentages of payroll -- 15.75% or 13.75% of the member's compensation. Assessment rates are 6.2% for social security and 1.45% for Medicare.

Provides for conversion of of eight (8.00) temporary positions to permanent status: five (5.00) temporary retirement claims examiner (RCE) positions (Kauai-1; Oahu-4), one (1.00) temporary Accountant position, and two (2.00) temporary Clerk positions and authorization of \$100,000 for overtime in FY 2008. Funding (X funds) for the positions is currently included in the ERS budget. The requested position conversions and overtime funding will address ERS' short and long-term workload issues and assist the ERS in retaining experienced staff, and to provide services required by ERS growing membership and the employers.

Include an additional \$1.3 million in FY 2008 and \$1.7 million in FY 2009 (X Funds) for the cost of maintenance and support on computer hardware and software used in the ERS operations and equipment replacements in support of local area network (LAN), additional purchases for the pension management information system, document imaging and for portable equipment used for counseling sessions held at remote sites. Some of the existing ERS LAN equipment was purchased and installed during FY 2000.

Authorize \$200,000 (X Funds) in each year of the biennium to outsource the production of an annual comprehensive member statement to provide service credits, account balance information and retirement projections to the members.

Authorize \$100,000 (X Funds) for FY 2008 to contract internal audit services to evaluate the practices of the ERS, improve operational efficiency and strengthen internal controls to protect pension assets, ensure fiduciary requirements are met, and the maintenance of ERS' tax qualified status.

Authorize \$300,000 (X Funds) for FY 2008 to enable ERS to outsource workload to reduce the growing backlog of retirees who currently are on estimated pension benefits.

C. Description of Activities Performed

The major activities in this program are: pre-retirement counseling services; computation of retirement, disability and death benefits; enrollment of new State and County employees; conducting disability hearings and appeals; processing retirement checks on a timely basis; tax reporting requirements for benefit distributions; management oversight, safeguarding and accounting for the program's investments in stocks, bonds, foreign securities, mortgages, real estate, certificates of deposits, etc.

D. Statement of Key Policies Pursued

The Board of Trustees establishes policies and procedures to administer the program and to conduct disability hearings and appeals. The Board also develops asset allocation strategies to prudently maximize the rate of return on investments for the benefit of the State and County government employers and ERS members and pensioners.

E. Identification of Important Program Relationships

Federal, special and general funded programs of the State and all County programs are affected by the retirement program because of the annual employer appropriation requirements. Social Security Administration policy and tax changes also have a direct effect on the State's liability.

F. Description of Major External Trends Affecting the Program

None.

G. Discussion of Cost, Effectiveness, and Program Size Data

The ERS implemented three major projects in Spring 2005, that will last through FY 2009, to improve overall customer service through new functionalities and more timely access to information. Until these projects are completed, certain ERS core operations may experience backlogs as operations staff were reassigned full-time to these projects.

H. Discussion of Program Revenue

Program revenues are received from:

Earnings on investment portfolio consisting of real estate loans and mortgages, preferred and common stocks, government obligations; corporate obligations; certain debt instruments; real property; alternative investments; and other securities and futures contracts as authorized by Section 88-119 of the Hawaii Revised Statutes.

Employer contributions for the Pension Accumulation Fund are received from the State and Counties are based on a percentage of payroll.

Employee contributions from approximately 8,500 members in the Contributory Plan and 27,000+ members in the Hybrid Plan.

The employer's share of federal social security and Medicare contributions from the State of Hawaii for covered employees.

I. Summary of Analysis Performed

None.

J. Further Considerations

None.

OPERATING AND CAPITAL EXPENDITURES

PROGRAM ID: **BUF143**
 PROGRAM STRUCTURE NO. **11030603**
 PROGRAM TITLE: **HAWAII EMPLOYER-UNION TRUST FUND**

REPORT P61-A

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY2005-06	FY2006-07	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13
OPERATING COST	26.00*	26.00*	26.00*	26.00*	26.0*	26.0*	26.0*	26.0*
PERSONAL SERVICES	1,497,412	1,658,102	1,869,665	1,766,765	1,767	1,767	1,767	1,767
OTHER CURRENT EXPENSES	1,806,926	2,840,377	7,065,554	2,524,643	2,525	2,525	2,525	2,525
EQUIPMENT	106,639		2,746,180					
TOTAL OPERATING COST	3,410,977	4,498,479	11,681,399	4,291,408	4,292	4,292	4,292	4,292
BY MEANS OF FINANCING								
TRUST FUNDS	26.00*	26.00*	26.00*	26.00*	26.0*	26.0*	26.0*	26.0*
	3,410,977	4,498,479	11,681,399	4,291,408	4,292	4,292	4,292	4,292
TOTAL POSITIONS	26.00*	26.00*	26.00*	26.00*	26.00*	26.00*	26.00*	26.00*
TOTAL PROGRAM COST	3,410,977	4,498,479	11,681,399	4,291,408	4,292	4,292	4,292	4,292

STATE OF HAWAII

PERFORMANCE MEASURES AND PROGRAM REVENUES

REPORT P62

PROGRAM ID: BUF143
 PROGRAM STRUCTURE: 11030603
 PROGRAM TITLE: HAWAII EMPLOYER-UNION TRUST FUND

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
MEASURES OF EFFECTIVENESS								
1. % DOCUMENTS IMAGED BY END 1ST WRKNG DAY AFTER RCPT		95	95	96	97	98	99	99
2. AV NO. DAYS REQUIRED TO PROCESS ENROLLMNT TRNSCTNS		14	14	13	12	11	10	9
3. PERCENTAGE OF ABANDONED CALLS		5	5	5	5	5	5	5
4. PERCENTAGE OF REFUNDS PROCESSED WITHIN 60 DAYS		70	70	70	70	70	70	70
5. % OF SHORTAGE CONDITIONS CLEARED WITHIN 60 DAYS		70	70	70	70	70	70	70
6. % PARTICIPANTS ATTENDING INFO SESSIONS IN ONE YEAR		20	20	20	20	20	20	20
7. % OF TIME COMPUTER SYSTEM IS AVAILABLE DURING 1 YR		98	98	98	98	98	98	98
8. % COBRA FORM/NOTICES SENT W/IN REQUIRED TIME FRAME		99	99	99	99	99	99	99
9. % ELIG RETIREES/SPOUSES ENROLLD IN MEDICARE PART B		95	95	96	97	98	99	99
10. NO. OF MINOR & MAJOR HIPAA VIOLATIONS PER YEAR		3	3	3	3	3	3	3
PROGRAM TARGET GROUPS								
1. TOTAL EMPLOYEES - (ACTIVES) FULL-TIME (STATE/CNTY)	52523	53400	53900	54400	54400	54400	54400	54400
2. TOTAL EMPLOYEES - RETIRED	36668	37400	37900	38400	38400	38400	38400	38400
3. TOTAL DEPENDENT BENEFICIARIES	74537	75600	76600	77600	77600	77600	77600	77600
4. MEDICARE PREMIUM REIMBURSEMENT RECIPIENTS	35238	36800	37900	38900	38900	38900	38900	38900
5. PERSONNEL AND FINANCE OFFICERS	500	500	500	500	500	500	500	500
PROGRAM ACTIVITIES								
1. NEW ENROLLMENTS (ADDITIONS)	8372	7900	8400	8900	8900	8900	8900	8900
2. TERMINATIONS (DELETIONS, CANCELLATIONS)	6248	5400	5900	6400	6400	6400	6400	6400
3. ENROLLMNT DATA CHGS (INS PLAN, NAME, ADDRESS, ETC.)	20981	20300	21300	22300	22300	22300	22300	22300
4. COBRA ENROLLMENTS	2833	2900	3000	3100	3100	3100	3100	3100
5. OUTREACH/EDUC BENEFIT BRIEFING SESSIONS CONDUCTED	120	170	120	120	150	150	150	150
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS)								
REVENUES FROM THE USE OF MONEY AND PROPERTY	1,798	2,178	2,178	2,178	2,178	2,178	2,178	2,178
CHARGES FOR CURRENT SERVICES	88,549	85,582	90,131	95,422	101,287	107,789	114,996	114,996
NON-REVENUE RECEIPTS	572,444	538,670	561,257	584,797	609,331	634,903	661,553	689,330
TOTAL PROGRAM REVENUES	662,791	626,430	653,566	682,397	712,796	744,870	778,727	806,504
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS)								
GENERAL FUNDS	1	1	1	1	1	1	1	1
ALL OTHER FUNDS	662,790	626,429	653,565	682,396	712,795	744,869	778,726	806,503
TOTAL PROGRAM REVENUES	662,791	626,430	653,566	682,397	712,796	744,870	778,727	806,504

A. Statement of Program Objectives

To administer health and life insurance benefits for eligible active and retired State and county public employees and their dependents by 1) providing quality service levels to employee-beneficiaries and dependent-beneficiaries, 2) complying with federal and State legal requirements.

B. Description of Request and Compliance with Section 37-68 (1)(A)(B)

The FB 2007-2009 budget is based on improving quality service levels to our customers and complying with federal and State legal requirements of the Hawaii Employer-Union Health Benefits Trust Fund ("Trust Fund").

The Budget request provides for replacement of the EUTF Health Benefit Information Management System (HFIMS) in the amount of \$7,513,484 in FY08 and \$437,166 in FY09. The HFIMS utilizes PeopleSoft and Oracle software to track and process all enrollment related transactions for 164,000 State and county employees, retirees, and their dependents. A replacement computer system is needed because the current version of PeopleSoft is no longer supported and may be unusable when Oracle migrates to its newest product and discontinues any support for the older version. The current system puts the EUTF at risk in complying with federal HIPAA security requirements, of incurring increased costs associated with continued system maintenance for antiquated technology, and of facing the inability to modify the system to meet future changing program requirements. The new system is needed to fully implement and best support the Trust Fund's business processes.

The Trust Fund currently has 26.00 permanent positions. The request includes funding an additional four (4.00) temporary positions to backfill staff who will be assigned to the new computer system implementation.

Finally, the budget requests also includes increases in the trust fund of \$313,673 in FY08 for investment consultant and HIPAA consultant services.

C. Description of Activities Performed

Board of Trustees:

1. Determine the nature and scope of the benefit plans.
2. Negotiate and enter into contracts with insurance carriers.
3. Procure fiduciary liability insurance, fidelity bond, and errors and omissions coverage.
4. Establish eligibility criteria and management policies for the Trust Fund.
5. Contract for financial audits of the Trust Fund and claims audits of its carriers.
6. Oversee all Trust Fund activities.

Trust Fund Staff:

1. Train State and County personnel and fiscal officers to enroll eligible employees and retirees in benefit plans; publicize benefit plan information.
2. Administer benefit plans; review eligibility determinations; process enrollment applications; record cancellations and terminations; update files; respond to inquiries about benefit plan enrollments.

3. Collect and reconcile employee payroll deductions and employer contributions in accordance with statutes and collective bargaining agreements; remit premiums to insurance carriers.
4. Authorize the disbursement of Trust Fund Life Insurance Plan proceeds to beneficiaries and reimbursement of Medicare Part B health insurance premiums to eligible retirees and their spouses.
5. Administer enrollment records for qualified-beneficiaries eligible under P.L. 99-272. Federal COBRA law mandates a temporary extension of health insurance benefits for these persons.
6. Maintain financial records for employees enrolled in the State of Hawaii's Premium Conversion Plan.
7. Comply with HIPAA privacy regulations and policies related to health benefit enrollment records.

D. Statement of Key Policies Pursued

Each State and County employing agency is responsible to notify their eligible employees about the Trust Fund's benefit plans by distributing information and providing enrollment assistance.

In order to receive benefits, employees must file enrollment applications with their employing agency; new retirees file directly with EUTF.

Employers, employees, and retirees are required to make timely payments for benefit plans to the Trust Fund office as appropriate.

The Trust Fund office services the health and life insurance benefits enrollment needs of State and County employees and retirees.

E. Identification of Important Program Relationships

The Board of Trustees negotiates health benefit and group life insurance plans with insurance carriers. Public employers and employees are notified of premium rates after collective bargaining agreements are negotiated.

EUTF maintains liaison with insurance carriers, legislative committees, Social Security Administration, unions, State and County Directors of Finance and Personnel, and the State Office of Collective Bargaining.

The State and County Directors of Finance pay negotiated and statutory contributions amounts to the Trust Fund. The Trust Fund collects both State and County employer and employee contributions. After processing and reconciling the enrollments and contributions, the Trust Fund remits applicable amounts to insurance carriers for insurance premiums.

The Trust Fund notifies employees of premium shortages and their ineligibility to receive benefits if deficiencies are not paid in full.

A Benefit Plan Consultant advises the Board and staff on benefit programs. The consultant provides comprehensive data on benefit plan trends and conducts special studies on benefit improvements as directed by the Board of Trustees.

The State Attorney General's Office provides legal assistance by reviewing health insurance contracts, administrative rules and the Board's program activities for compliance with applicable State and Federal laws.

State agencies having control of special and Federal funds are required by law to reimburse the State general fund for employer health and life insurance plan employer contributions advanced by the State Director of Finance.

F. Description of Major External Trends Affecting the Program

The Government Accounting Standards Board ("GASB") has issued statements No. 43, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, and 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB 43 must be implemented by EUTF for fiscal year ending June 30, 2007 and GASB 45 must be implemented by the employers for fiscal year ending June 30, 2008.

Public employers' contributions for active employees are a specific dollar amount to be negotiated through collective bargaining.

Act 245, Session Laws of Hawaii 2005 authorized public unions to establish on a pilot basis, voluntary employees benefit association trusts (VEBA) to provide bargaining unit employees and eligible retirees with health benefits.

G. Discussion of Cost, Effectiveness, and Program Size Data

Program indicators reflect the program's efforts to provide quality services to its membership. The FB 07-09 enrollment levels of employees and retirees in the Trust Fund are maintained during the planning period pending legislative action on Act 245, SLH 2005 (VEBA).

The administrative workload to collect varying amounts of premiums from employees who were hired after June 30, 1996 and who subsequently retire will progressively increase over the years.

H. Discussion of Program Revenue

Program revenues are received from:

1. State and County governments for their share of health and life insurance plan employer contributions.

2. State and county employees and retirees for their share of health insurance premiums.
3. Refunds and interest earned on reserve monies from health and life insurance plans' experience gains.
4. State and county employers for their share of the Trust Fund administrative fees.
5. Interest income earned on the Trust Fund.

I. Summary of Analysis Performed

Not applicable.

J. Further Considerations

Not applicable.



Capital Budget Details

STATE OF HAWAII
PROGRAM ID

PROGRAM STRUCTURE NO.

PROGRAM TITLE

BUF-101

11010305

DEPARTMENTAL ADMINISTRATION & BUDGET DIV

REQUIRED CAPITAL APPROPRIATIONS - BY CAPITAL PROJECT
IN THOUSANDS OF DOLLARS

REPORT B78
PAGE 34

PROJECT NUMBER	PRIORITY NUMBER	LOC	SCOPE	PROJECT TITLE		BUDGET PERIOD							SUCCEED YEARS
			COST ELEMENT/MOF	PROJECT TOTAL	PRIOR YRS	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09 10	FY 10-11	FY 11-12	FY 12-13
00-01	0001		ADDITION	HAWAIIAN HOME LANDS TRUST FUND, STATEWIDE									
			CONSTRUCTION	583,900	253,900	30,000	30,000	60,000	30,000	30,000	30,000	30,000	60,000
			TOTAL	583,900	253,900	30,000	30,000	60,000	30,000	30,000	30,000	30,000	60,000
			G.O. BONDS	583,900	253,900	30,000	30,000	60,000	30,000	30,000	30,000	30,000	60,000
00-02	0002		NEW	STATE EDUCATIONAL FACILITIES IMPROVEMENT					SPECIAL FUND, STATEWIDE				
			CONSTRUCTION	1,840,269	984,418	212,114	326,157	90,173	47,407	45,000	45,000	45,000	45,000
			TOTAL	1,840,269	984,418	212,114	326,157	90,173	47,407	45,000	45,000	45,000	45,000
			G.O. BONDS	1,840,269	984,418	212,114	326,157	90,173	47,407	45,000	45,000	45,000	45,000
P50150			NEW	BISHOP MUSEUM, OAHU									
			PLANS	100		100							
			DESIGN	570		570							
			CONSTRUCTION	530		530							
			TOTAL	1,200		1,200							
			G.O. BONDS	1,200		1,200							
PROGRAM TOTALS													
			PLANS	500	400	100							
			DESIGN	1,171	601	570							
			CONSTRUCTION	2,434,747	1,248,366	242,644	356,157	150,173	77,407	75,000	75,000	75,000	60,000
			EQUIPMENT	1,951	1,951								
			TOTAL	2,438,369	1,251,318	243,314	356,157	150,173	77,407	75,000	75,000	75,000	60,000
			G.O. BONDS	2,438,369	1,251,318	243,314	356,157	150,173	77,407	75,000	75,000	75,000	60,000

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